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**ERNEST N. MORIAL NEW ORLEANS**  
**EXHIBITION HALL AUTHORITY**

Financial Statements

December 31, 2013 and 2012

With Independent Auditors' Report Thereon

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 23 2014



Postlethwaite  
& Netterville

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ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY

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## **INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Ernest N. Morial New Orleans Exhibition Hall Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority), a component unit of the State of Louisiana, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2013 and 2012, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### *Change in Accounting Principle*

As described in Note 11 to the financial statements, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. This standard provides guidance for reporting the financial statement elements of deferred outflows and inflows of resources and also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues or expenses when incurred and not reported in the statements of net position. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

*Postlethwaite & Nettville*

New Orleans, Louisiana  
March 25, 2014

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**(A CORPORATE AND POLITICAL SUBDIVISION OF THE STATE OF LOUISIANA)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED DECEMBER 31, 2013 and 2012**

The Management's Discussion and Analysis of the Ernest N. Morial New Orleans Exhibition Hall Authority's (the Authority) financial performance presents a narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2013 and 2012. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information (where available). Please read it in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The Authority's mission is to plan, finance, construct and manage a convention and exhibition center in the City of New Orleans.

During 2013 and 2012, the Center held 113 and 128 events, respectively. The approximate number of attendees totaled 857,000 and 865,000 and the number of room nights approximated 766,000 and 744,000 from the out-of-state attendees numbering approximately 638,000 and 549,000 for the years ended December 31, 2013 and 2012, respectively.

The taxes recognized by the Authority generated in 2013 were \$53.3 million as compared to \$46.3 million of revenues in 2012. User fees totaled \$23.2 million in 2013 as compared to \$22.1 million in 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements. The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Authority's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Position.

The Statements of Net Position present financial information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Authority's net position increased by \$28.5 million in 2013, as compared to a decrease of \$3.6 million in 2012.

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**YEARS ENDED DECEMBER 31, 2013 and 2012**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

**Net Position - 2013**

The Authority's total net position at December 31, 2013 was approximately \$459.6 million as compared to \$431.0 million at December 31, 2012 (See Table A-1). Total 2013 assets were \$631.9 million as compared to total assets of \$637.2 million as of December 31, 2012. Total liabilities decreased to \$177.3 million as compared to \$211.8 million in 2012. Capital assets decreased in 2013 compared to 2012 as a result of annual depreciation. Current assets increased from 2012 to 2013 due to cash provided by sales and maturities of noncurrent investments. Restricted assets from 2012 to 2013 decreased due to funding the construction of The Great Hall.

**Net Position - 2012**

The Authority's total net position at December 31, 2012 was approximately \$431.0 million as compared to \$434.6 million at the end of 2011 (See Table A-2). Total 2012 assets were \$637.2 million as compared to total assets of \$634.6 million at the end of 2011. Total liabilities increased to \$211.8 million as compared to \$205.4 million in 2011. Capital assets increased in 2012 compared to 2011 as a result of the Great Hall construction in progress. Current assets increased from 2011 to 2012 due to cash provided by sales and maturities of noncurrent investments in addition to a capital contribution due from the State of Louisiana. Restricted assets from 2011 to 2012 decreased due to the retirement of bonds.

**Table A-1**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Net Position (in thousands of dollars)**  
**December 31, 2013 and 2012**

	2013	2012
Current assets	\$ 205,713	\$ 191,555
Restricted assets	40,360	50,325
Capital assets	385,863	395,297
<b>Total assets</b>	<b>631,936</b>	<b>637,177</b>
Unamortized loss on bond refinancing	4,939	5,677
<b>Total deferred outflows of resources</b>	<b>4,939</b>	<b>5,677</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 636,875</b>	<b>\$ 642,854</b>
Current liabilities	\$ 21,370	\$ 45,541
Long-term liabilities	155,925	166,265
<b>Total liabilities</b>	<b>177,295</b>	<b>211,806</b>
Net position:		
Invested in capital assets, net of related debt	226,617	225,985
Restricted	36,437	35,265
Unrestricted	196,526	169,798
<b>Total net position</b>	<b>459,580</b>	<b>431,048</b>
<b>Total liabilities and net position</b>	<b>\$ 636,875</b>	<b>\$ 642,854</b>



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**Table A-2**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Net Position (in thousands of dollars)**  
**December 31, 2012 and 2011**

	2012	2011
Current assets	\$ 191,555	\$ 171,238
Restricted assets	50,325	94,405
Capital assets	395,297	368,918
<b>Total assets</b>	<b>637,177</b>	<b>634,561</b>
Unamortized loss on bond refinancing	5,677	5,490
<b>Total deferred outflows of resources</b>	<b>5,677</b>	<b>5,490</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 642,854</b>	<b>\$ 640,051</b>
Current liabilities	\$ 45,541	\$ 21,962
Long-term liabilities	166,265	183,449
<b>Total liabilities</b>	<b>211,806</b>	<b>205,411</b>
Net position:		
Invested in capital assets, net of related debt	225,985	183,128
Restricted	35,265	40,855
Unrestricted	169,798	210,657
<b>Total net position</b>	<b>431,048</b>	<b>434,640</b>
<b>Total liabilities and net position</b>	<b>\$ 642,854</b>	<b>\$ 640,051</b>

**Changes in Net Position- 2013**

The change in net position was an increase of \$28.5 million for the year ended December 31, 2013 (Table A-3). The Authority's operating revenues were comprised primarily of user fees. Operating revenues were \$30.0 million in 2013 as compared to \$26.9 million in 2012. The Authority's 2013 operating revenues were comprised primarily of user fees of \$23.2 million and food and beverage revenue of \$6.3 million, as compared to user fees of \$22.1 million and food and beverage revenue of \$4.2 million in 2012. The reason for the increase in 2013 revenue is due to a change in the type of events held in 2013 compared to 2012. Operating expenses, including depreciation and loss on disposal of assets, in 2013 totaled \$55.4 million as compared to approximately \$59.3 million in 2012. The decrease in operating expenses is mainly due to a reduction in event related expenses, the non-capitalized building improvements that took place during the year, and the loss on the disposal of assets. Table A-4 summarizes the Authority's operating expenses by function. In both 2013 and 2012, non-operating revenues were primarily comprised of dedicated taxes, investment income and interest expense. Dedicated taxes totaled \$53.3 million in 2013 as compared to \$46.3 million in 2012. Investment income and interest expense totaled \$1.1 million and \$7.5 million in 2013 and \$1.8 million and \$9.3 million in 2012. During 2013, no interest income or expense was capitalized. During both 2013 and 2012, the Authority recorded a capital contribution from the State of Louisiana of \$10.0 million. In addition, Act 597 of the 2012 Legislative Session of Louisiana directed the Authority to pay \$20 million to the State in 2012, as described in Note 9. Also in 2013, the Authority funded projects for the City of New Orleans in the amount of \$2.8.

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**Changes in Net Position- 2012**

The change in net position was a decrease of \$3.6 million for the year ended December 31, 2012 (Table A-5). The Authority's operating revenues were comprised primarily of user fees. Operating revenues were \$26.9 million in 2012 as compared to \$23.6 million in 2011. The Authority's 2012 operating revenues were comprised primarily of user fees of \$22.1 million and food and beverage revenue of \$4.2 million, as compared to user fees of \$19.1 million and food and beverage revenue of \$3.8 million in 2011. The reason for the increase in 2012 revenue is due to variance in the type and number of events held in 2012 compared to 2011. Operating expenses, including depreciation and loss on disposal of assets, in 2012 totaled \$59.3 million as compared to approximately \$49.9 million in 2011. The increase in operating expenses is mainly due to event related expenses, the non-capitalized building improvements that took place during the year, and the increased loss on the disposal of assets. Table A-6 summarizes the Authority's operating expenses by function. In both 2012 and 2011, non-operating revenues were primarily comprised of dedicated taxes, investment income and interest expense. Dedicated taxes totaled \$46.3 million in 2012 as compared to \$40.8 million in 2011. Investment income and interest expense totaled \$1.8 million and \$9.3 million, respectively, in 2012 and \$2.2 million and \$9.2 million, respectively, in 2011. During 2012, no interest income or expense was capitalized. During 2012, the Authority recorded a capital contribution from the State of Louisiana of \$10.0 million. In addition, Act 597 of the 2012 Legislative Session of Louisiana directed the Authority to pay \$20 million to the State, as described in Note 9.

**Table A-3**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Revenue, Expenses and**  
**Changes in Net Position**  
**(in thousands of dollars)**  
**Years ended December 31, 2013 and 2012**

	2013	2012
Operating Revenues:		
User fees and other revenues	\$ 23,706	\$ 22,723
Food and beverage	6,258	4,184
<b>Total operating revenues</b>	<b>29,964</b>	<b>26,907</b>
Operating Expenses:		
Operating expenses	38,398	44,551
Depreciation	17,046	14,745
<b>Total operating expenses</b>	<b>55,444</b>	<b>59,296</b>
Operating loss	(25,480)	(32,389)
Non-operating revenues-net	46,844	38,797
Capital contributions	10,000	10,000
Distribution to the State of Louisiana	(2,832)	(20,000)
<b>Change in net position</b>	<b>28,532</b>	<b>(3,592)</b>
<b>Net position, beginning of the year</b>	<b>431,048</b>	<b>434,640</b>
<b>Net position, end of the year</b>	<b>\$ 459,580</b>	<b>\$ 431,048</b>



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Table A-4**

**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Operating Expenses (in thousands of dollars)**  
**Years ended December 31, 2013 and 2012**

	2013	2012
General and administrative	\$ 6,880	\$ 9,228
Sales and marketing	3,405	2,713
Event Services	793	739
Food Services	506	553
Building operations	17,307	16,143
Public safety	3,393	3,354
Production services	1,497	1,539
Technology services	2,433	2,200
Depreciation	17,046	14,745
Loss on disposal of assets	21	4,363
The UPS Store	298	336
Buildings improvements, not capitalized	1,865	3,383
<b>Total operating expenses</b>	<b>\$ 55,444</b>	<b>\$ 59,296</b>

**Table A-5**

**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Revenue, Expenses and**  
**Changes in Net Position**  
**(in thousands of dollars)**  
**Years ended December 31, 2012 and 2011**

	2012	2011
Operating Revenues:		
User fees and other revenues	\$ 22,723	\$ 19,763
Food and beverage	4,184	3,839
<b>Total operating revenues</b>	<b>26,907</b>	<b>23,602</b>
Operating Expenses:		
Operating expenses	44,551	35,422
Depreciation	14,745	14,486
<b>Total operating expenses</b>	<b>59,296</b>	<b>49,908</b>
Operating loss	(32,389)	(26,306)
Non-operating revenues-net	38,797	33,536
Capital contributions	10,000	-
Distribution to the State of Louisiana	(20,000)	-
<b>Change in net position</b>	<b>(3,592)</b>	<b>7,230</b>
<b>Net position, beginning of the year</b>	<b>434,640</b>	<b>427,410</b>
<b>Net position, end of the year</b>	<b>\$ 431,048</b>	<b>\$ 434,640</b>

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED DECEMBER 31, 2013 and 2012**

**Table A-6**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Operating Expenses (in thousands of dollars)**  
**Years ended December 31, 2012 and 2011**

	2012	2011
General and administrative	\$ 9,228	\$ 7,620
Sales and marketing	2,713	2,107
Event services	739	802
Food Services	553	290
Building operations	16,143	14,898
Public safety	3,354	3,315
Production services	1,539	1,422
Technology services	2,200	2,347
Depreciation	14,745	14,485
Loss on disposal of assets	4,363	570
The UPS Store	336	336
Buildings improvements, not capitalized	3,383	1,716
<b>Total operating expenses</b>	<b>\$ 59,296</b>	<b>\$ 49,908</b>

**Cash Flows - 2013**

The change in cash and cash equivalents, as reflected in Table A-7, from 2013 to 2012 was mainly a result of the bond repayment that occurred in 2012. The decrease in noncapital financing activities in 2013, as compared to 2012, was a result of distributions to government agencies. The change in capital and financing activities is due to the 2012 bond refunding. Investment activities had a use of cash in 2013 reflecting current year sales and maturities of investments, and included a decrease in investment income received.

**Cash Flows - 2012**

The change in cash and cash equivalents, as reflected in Table A-8, from 2012 to 2011 was a result of an increase in cash provided by investing activities. The increase in noncapital financing activities in 2012, as compared to 2011, was a result of an increase of cash received from tax revenues. The change in capital and financing activities is due to the increased amount of bond repayments due to the 2012 bond refunding and an increase in the purchase and/or construction of capital assets. Investment activities provided cash in 2012 reflecting current year sales and maturities of investments, and included an increase in investment income received.

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED DECEMBER 31, 2013 and 2012**

**Table A-7**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Cash Flows**  
**(in thousands of dollars)**  
**Years ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from:		
Operations	\$ (9,777)	\$ (11,217)
Noncapital financing	28,486	45,775
Capital and related financing activities	(8,766)	(70,111)
Investing activities	(13,324)	79,453
Net increase (decrease) in cash and cash equivalents	<u>\$ (3,381)</u>	<u>\$ 43,900</u>

**Table A-8**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Cash Flows**  
**(in thousands of dollars)**  
**Years ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from:		
Operations	\$ (11,217)	\$ (13,871)
Noncapital financing	45,775	40,725
Capital and related financing activities	(70,111)	(24,378)
Investing activities	79,453	(42,445)
Net increase (decrease) in cash and cash equivalents	<u>\$ 43,900</u>	<u>\$ (39,969)</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets- 2013**

As of December 31, 2013, the Authority had invested approximately \$626.3 million in property, buildings and equipment. During 2013, the Authority increased property, buildings and equipment by approximately \$7.4 million. Depreciation in 2013 totaled \$17.0 million, adjusting accumulated depreciation to \$240.4 million as of December 31, 2013.

The construction in progress as of December 31, 2013 includes improvements to existing structure and building improvements related to the Phase IV expansion.

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**Capital Assets- 2012**

As of December 31, 2012, the Authority had invested approximately \$618.8 million in property, buildings and equipment. During 2012, the Authority increased property, buildings and equipment by approximately \$33.9 million. Depreciation in 2012 totaled \$14.7 million, adjusting accumulated depreciation to \$223.5 million as of December 31, 2012.

The construction in progress as of December 31, 2012 includes improvements in the Great Hall, improvements to existing structure and building improvements related to the Phase IV expansion.

**Debt Administration- 2013 and 2012**

The Authority continued to make its regularly scheduled payments on its bonds and Go Zone loan. During 2013, \$9.9 million in bond and loan principal payments were made. During 2012, \$74.6 in bond principal payments were made, including the refunding of the 1996C Series, 1998 Series, and 2000 Series bonds. All debt covenants have been met.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The primary purpose of a convention center is to attract attendees to conventions and tradeshow so that they will spend dollars in local facilities such as hotels, restaurants, tourist attractions, retail stores, etc. This spending results in increased tax collections for the state and local governments. The New Orleans Ernest N. Morial Convention Center is one of the greatest economic assets of the City of New Orleans and the State of Louisiana. In 2013, the Center hosted 113 major conventions and trade shows, attracted approximately 549,000 out of state attendees and produced 773,000 room nights. The economic impact has not yet been completed for 2013. In 2012, the Center hosted 128 major conventions and trade shows, attracted approximately 549,000 out of state attendees and produced 744,000 room nights. The economic impact has not yet been completed for 2012. The Authority is scheduled to have approximately 100 events in 2014.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President of Finance and Administration, Alita Caparotta, at (504) 582-3022.



**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current assets:		
Cash	\$ 131,312,761	\$ 124,038,208
Investments	71,438,214	55,743,671
Accounts receivable, net	2,056,732	932,744
Interest receivable	81,872	103,659
Prepaid expenses and other assets	818,240	736,733
Due from government agencies	4,805	10,000,000
Total current assets	205,712,624	191,555,015
Restricted assets:		
Cash, designated for construction	408,941	12,069,938
Cash, restricted primarily for construction and debt service	6,406,778	5,401,441
Investments, restricted primarily for debt service	21,997,400	23,281,407
Interest receivable	212,254	211,005
Taxes receivable	11,334,890	9,361,494
Total restricted assets	40,360,263	50,325,285
Property, buildings and equipment, net	385,863,123	395,296,825
Total assets	631,936,010	637,177,125
Deferred outflows of resources		
Unamortized loss on bond refinancing	4,939,430	5,676,573
Total assets and deferred outflows of resources	\$ 636,875,440	\$ 642,853,698
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities (payable from current assets):		
Accounts payable	\$ 3,086,805	\$ 4,482,180
Other payables	1,120,745	4,772,129
Unearned revenue, current portion	2,755,316	2,940,918
Compensated absences, current portion	426,309	405,778
Due to government agencies	1,106,723	20,000,000
Total unrestricted current liabilities	8,495,898	32,601,005
Current liabilities (payable from restricted assets):		
Other liabilities	162,435	166,220
Accrued bond interest	3,352,307	2,824,539
Current portion of bonds and note payable	9,359,547	9,949,162
Total restricted current liabilities	12,874,289	12,939,921
Total current liabilities	21,370,187	45,540,926
Long-term liabilities:		
Compensated absences, less current portion	417,088	453,370
Bonds and note payable, less current portion, net	154,826,356	165,038,531
Unearned revenue, less current portion	682,184	772,800
Total long-term liabilities	155,925,628	166,264,701
Total liabilities	177,295,815	211,805,627
Net position:		
Net investment in capital assets	226,616,650	225,985,705
Restricted primarily for debt service and construction	36,436,580	35,264,588
Unrestricted	196,526,395	169,797,778
Total net position	459,579,625	431,048,071
Total liabilities and net position	\$ 636,875,440	\$ 642,853,698

See accompanying notes to these financial statements.



ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating revenues:		
User fees	\$ 23,153,622	\$ 22,122,873
Food and beverage	6,257,945	4,184,400
The UPS Store	338,606	382,281
Rentals	198,650	199,601
Miscellaneous	15,515	17,672
	<hr/>	<hr/>
Total operating revenues	29,964,338	26,906,827
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Operating expenses:		
General and administrative	6,879,825	9,228,095
Sales and marketing	2,988,731	2,251,648
New Orleans Convention and Visitors Bureau	416,321	461,479
Event services	793,228	739,017
Food services	505,538	552,843
Building operations	17,306,883	16,143,009
Public safety	3,393,044	3,354,008
Production services	1,497,012	1,538,971
Technology services	2,432,869	2,200,262
Non-capital, one-time projects	1,865,082	3,383,362
Depreciation	17,046,000	14,745,013
Loss on disposal of assets	21,272	4,362,476
The UPS Store	298,294	336,163
	<hr/>	<hr/>
Total operating expenses	55,444,099	59,296,346
	<hr/>	<hr/>
Loss from operations	(25,479,761)	(32,389,519)
	<hr/>	<hr/>
Non-operating revenues (expenses):		
Tax revenues (note 7)	53,291,695	46,334,579
Investment income	1,066,162	1,763,633
Interest expense	(7,514,095)	(9,300,518)
Income from non-operating revenues (expenses)	46,843,762	38,797,694
	<hr/>	<hr/>
Capital contributions from the State of Louisiana	10,000,000	10,000,000
	<hr/>	<hr/>
Distribution to government agencies	(2,832,447)	(20,000,000)
	<hr/>	<hr/>
Change in net position	28,531,554	(3,591,825)
Net position:		
Balance, beginning of year (restated, Note 11)	431,048,071	434,639,896
Balance, end of year	\$ 459,579,625	\$ 431,048,071
	<hr/>	<hr/>

See accompanying notes to these financial statements.

ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from user fees	\$ 22,056,389	\$ 23,342,692
Cash received from other sources	6,507,744	4,607,080
Cash paid to employees and for related expenses	(20,101,449)	(18,948,651)
Cash paid to suppliers	(18,239,403)	(20,218,330)
Net cash used in operating activities	<u>(9,776,719)</u>	<u>(11,217,209)</u>
Cash flows from noncapital financing activities:		
Cash received from taxes	51,318,299	45,775,149
Distributions to government agencies	(22,832,447)	-
Net cash provided by noncapital financing activities	<u>28,485,852</u>	<u>45,775,149</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(11,710,625)	(42,532,564)
Capital contributions from the State of Louisiana	19,995,195	-
Interest paid	(7,101,812)	(10,907,616)
Repayment of bonds and note payable	(9,949,162)	(74,646,676)
Proceeds from 2012 bond issuance	-	58,294,912
Cash paid for bond issuance costs	-	(318,914)
Net cash used in capital and related financing activities	<u>(8,766,404)</u>	<u>(70,110,858)</u>
Cash flows from investing activities:		
Purchases of investment securities	(100,069,711)	(93,249,864)
Investment sales and maturities	85,363,198	169,895,637
Interest payments received	1,382,677	2,807,229
Net cash provided by (used in) investing activities	<u>(13,323,836)</u>	<u>79,453,002</u>
Net increase (decrease) in cash and cash equivalents	(3,381,107)	43,900,084
Cash and cash equivalents at beginning of year	141,509,587	97,609,503
Cash and cash equivalents at end of year	<u>\$ 138,128,480</u>	<u>\$ 141,509,587</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (25,479,761)	\$ (32,389,519)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	17,046,000	14,745,013
Loss from disposal of capital assets	21,272	4,362,476
(Increase) decrease:		
Accounts receivable	(1,123,987)	403,900
Prepaid and other assets	(81,508)	128,683
Increase (decrease) in:		
Accounts payable and accrued expenses	117,483	892,733
Deferred revenue	(276,218)	639,505
Net cash used in operating activities	<u>\$ (9,776,719)</u>	<u>\$ (11,217,209)</u>

See accompanying notes to these financial statements.

**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***(a) Organization and Reporting Entity***

The Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) is a component unit of the State of Louisiana created in 1978 by Act 305 (subsequently amended) of the Louisiana Legislature to plan, finance, construct and manage a convention and exhibition center in the City of New Orleans. The operations of the convention and exhibition centers are through the New Orleans Public Facility Management, Inc. (NOPFM), a separately incorporated organization, doing business as the New Orleans Ernest N. Morial Convention Center. Under the present management agreement between the Authority and NOPFM, the Authority reimburses NOPFM for costs of operating the convention and exhibition center, and NOPFM will neither own assets nor retain revenues. The NOPFM is a blended component unit of the Authority.

The Authority is governed by a twelve member Board of Commissioners composed of nine (9) appointees of the Governor of Louisiana and three (3) appointees of the Mayor of New Orleans. The Board of Commissioners establishes policies, approves the budget, controls appropriations and appoints an Executive Vice President responsible for administering all the Authority's operations and activities.

The Authority is a component unit of the State of Louisiana. No other potential component units meet the criteria for inclusion in the financial statements of the Authority.

***(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The proprietary fund is used to account for the Authority's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into amounts invested in capital assets (net of related debt), restricted primarily for debt service and construction, and unrestricted. The Board's restricted assets are expendable for their purposes. The Authority utilizes available restricted assets before utilizing unrestricted assets. The operating statements present increases (revenues) and decreases (expenses) in net position.

The Authority maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

Operating revenues include all charges for service and related fees associated with operating expenses. Interest income, interest expense and tax revenues are presented as non-operating items.

(c) *Designated and Restricted Assets*

Certain assets, consisting of cash, investments and receivables, are segregated and classified as restricted assets. Restricted assets are held as follows:

- Debt service reserve was established by the Authority's bond indentures. The required reserve is the lesser of (i) ten percent of the original principal issued, (ii) the maximum of principal and interest maturing and due in next fiscal year, or (iii) 125% of average annual principal and interest requirement, after any reductions.
- Debt service, funded by the special revenue taxes, was established by the Authority's bond indentures. The required accumulated debt service is equal to the sum of (i) interest accruing during the period of bonds outstanding and (ii) portion of principal accruing until the next principal payment date.
- Capital projects, funded by the proceeds of taxes, restricted for the building expansion and improvements.
- Rouse Lease Clearing and Venture Lease Escrows, which include rental income received by the Authority on behalf of and remitted to the City of New Orleans for property owned by the City. In addition to the amounts collected on behalf of the City of New Orleans, the Authority also collects certain funds related to a third-party cell site. The amounts payable are included in other liabilities in the balance sheet. The Rouse Lease Clearing account was closed in 2013.

Designated assets are held as follows:

- Capital projects, funded by the operating assets for which contracts have been awarded and underway.

ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Investments*

Investments consist of time deposits, money market mutual funds, certificates of deposits, U.S. Treasury obligations, U.S. government agency securities, and repurchase agreements and are stated at fair value. Fair value is based on quoted market prices, as applicable; if quoted prices are not available, fair value is estimated based on similar securities.

(e) *Property, Buildings and Equipment*

Property, buildings and equipment are carried at historical cost. Depreciation and amortization are charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. The estimated useful lives used in computing depreciation and amortization are as follows:

Buildings	40 years
Building improvements	20 years
Equipment, furniture and fixtures	5-12 years

The Authority capitalizes moveable equipment with a value of \$5,000 or greater. The Authority capitalizes building improvements greater than \$50,000. The cost of additions includes contracted work, direct labor, materials and allocable cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Interest is capitalized on fixed assets acquired and/or constructed with tax-exempt debt. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue for the period. The cost of maintenance and repairs is charged to operations as incurred, and significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

(f) *Taxes*

The Authority receives dedicated taxes as follows:

Hotel Occupancy Tax

The Authority's bonds are payable from revenues derived by the Authority from the Hotel Occupancy Tax authorized by Act No. 305 of the Regular Session of the Legislature of Louisiana for the year 1978, as amended (the Act) and earnings on certain funds and accounts of the Authority. The Hotel Occupancy Tax is levied and collected on the occupancy of hotel and motel rooms within the Parish of Orleans. Initially established as a 1% tax, the rate (with approval by the Legislature and public referendum) was increased to 2%, effective October 1, 1980. This tax is dedicated to the Authority's bonds and those taxes are presently being collected within the City and other locations on behalf of the Authority by the Louisiana Department of Revenue and Taxation (the Department).



ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hotel Occupancy Tax (continued)

Effective July 1, 2002, an additional 1% was imposed for the purpose of providing funds for the Phase IV Convention Center Expansion Project. These additional taxes were used to fund initial capital expenditures incurred and are currently used to retire all bonds.

Hotel Occupancy/Food and Beverage Tax

The following summarizes the 1988 hotel occupancy and food and beverage taxes:

Pursuant to Act 390 of the regular session of the Legislature of Louisiana for 1987, the Authority is empowered to levy and collect a Hotel Occupancy Tax (the "1988 Hotel Occupancy Tax") and a Food and Beverage Tax (collectively referred to as the "Tax"), to secure bonds to be issued to finance a portion of the costs of the Convention Center expansion. The 1988 Hotel Occupancy Tax is separate and distinct from the 1978 Hotel Occupancy Tax levied by the Authority and pledged to secure the Series 1983 Bonds (refinanced by the 1996 Series and the 2012 Series). The Tax has additionally been approved by the City Council and was imposed pursuant to a special election held on November 21, 1987.

On February 24, 1988, the Authority adopted a resolution authorizing the actual levy and collection of the Tax to be effective April 1, 1988. The Tax, which secures the 1996 Bond Series (refinanced by the 2012 Series), is presently being collected within the City and other locations on behalf of the Authority pursuant to a Contract of Agency for Collection of Taxes with the Louisiana Department of Revenue and Taxation (the Department). The Department is required to remit tax collections to the Authority, initially net of the \$200,000 annual collections fee retained by the Department at the rate of 3% of monthly collections until the total amount is attained. The collection fee is subject to annual renegotiation which is currently \$200,000.

The 1988 Hotel Occupancy Tax is levied in the amount of fifty cents (\$0.50) per occupied hotel room per night for hotels containing ten (10) to two hundred ninety-nine (299) rooms, one dollar (\$1.00) per occupied hotel room per night for hotels containing three hundred (300) to nine hundred ninety-nine (999) guest rooms and two dollars (\$2.00) per occupied hotel room for hotels containing one thousand (1,000) or more guest rooms. The 1988 Hotel Occupancy Tax will automatically terminate upon payment in full of all bonds or other obligations of the Authority payable in whole or in part from or secured by the 1988 Hotel Occupancy Tax.

ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food and Beverage Tax

The Food and Beverage Tax is a tax in the amount of one-half of one percent (0.5%) imposed on the gross receipts from the sale of food and beverages in any food service establishment. The tax is applicable to all such establishments located within the City or in any airport or air transportation facility owned and operated by the City, excluding food service establishments which have annual gross receipts from food and beverage sales of less than \$200,000 from the operation of all such establishments during the calendar year prior to the year in which such tax is assessed. The tax is not applicable to meals furnished to the staff and students of educational institutions; the staff and patients of hospitals; the staff, inmates and patients of mental institutions and the boarders of rooming houses. The Food and Beverage Tax will automatically terminate upon payment in full of all Bonds or other obligations of the Authority payable in whole or in part from or secured by the Food and Beverage Tax.

Effective July 1, 2002, an additional  $\frac{1}{4}$  of 1% on annual gross receipts from food and beverage sales greater than \$500,000 was imposed for the purpose of providing funds for the Phase IV Convention Center Expansion Project. These additional taxes were used to fund initial capital expenditures incurred and are currently used to retire all bonds.

Service Contractor and Tour Tax

Pursuant to Act 42 of the regular session of the Legislature of Louisiana for 1994 which amended Act 305 of 1978, the Authority is empowered to levy and impose a 2% tax on the furnishing of goods and services in conjunction with trade shows, conventions, and exhibitions located within Orleans Parish. The effective date of the service contractor tax was May 1, 1995. "Goods and services" means merchandise, wares, materials, labor, assistance or benefit provided in connection with the installation and dismantling of exhibits, displays and booths, decorations, electrical supplies, materials handling, drayage, flowers and floral decorations, computers, audio and visual equipment, bands and orchestra, lighting trusses, rigging and associated equipment, furniture, carpets, signs, props, floats, business machines, plumbing, telephones, photography, utilities, balloons, scaffolding, forklifts, high lifts, security, information retrieval system and any other services or items associated with the above. Specifically, excluded are foods and beverages and the shuttle services of attendees to and from the location of the convention and trade show.

In addition to the above, the Authority is also empowered to levy and impose a one dollar (\$1.00) tax on the sale of tickets sold in the Parish of Orleans for per capita sightseeing tours in the Parish of Orleans, and for tours a portion of which includes sight-seeing in the Parish of Orleans. The effective date of the tour tax was May 1, 1995. This tax expires when all debt obligations expire. This tax is dedicated to the Authority's Bond Series, and those taxes are presently being collected within the City and other locations on behalf of the Authority by the Louisiana Department of Revenue and Taxation.

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NOTES TO FINANCIAL STATEMENTS  
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RTA Tax

In April 2002, the Authority entered into a Cooperative Endeavor Agreement (CEA) with the Regional Transit Authority (RTA) and the New Orleans Tourism Marketing Corporation (NOTMC), creating a transit fund to be separately maintained and funded with taxes collected by the RTA based on a 1% sales tax to be collected from hotels and motels in the City of New Orleans and equal to 50% of the annual fee paid by RTA to NOTMC. In exchange for the funds received, the Authority agreed to utilize the funds for financing or funding of actual physical construction costs (labor and materials) of new capital facilities and/or capital improvements of the Convention Center in connection with the Phase IV Expansion Project, particularly including, but not limited to, facilities and/or improvements that address and recognize the need to access the RTA's Riverfront Streetcar and Shuttle – bus services and the transportation needs of the Convention Center attendees and the public, consistent with the needs of the Authority and the legal requirements for the use and/or expenditure of the revenues derived from the RTA tax. In addition, moneys in the transit fund may be used to pay debt service on any bonds issued for construction financing of the Phase IV Expansion Project.

State of Louisiana, Department of State Economic Development

Pursuant to Act 73, based on the sufficiency of the Hotel Occupancy tax collections to pay the obligations of related bonds within any fiscal year of the State of Louisiana, the State of Louisiana Department of State Economic Development remits \$2 million of the remaining funds on an annual basis to the Authority.

(g) *Capital Contributions*

Contributions from State appropriations are made available to the Authority for capital improvements and are recognized when the expenses have been incurred and approval of the appropriation has been received. These appropriations are included in capital contributions in the statement of revenue, expenses and changes in net position.

(h) *Compensated Absences*

As of January 1, 2013, the Authority revised its personnel handbook to include a new leave policy, which incorporates the vacation, sick and personal leave policies and replaces it with a new personal time off plan (PTO). The total liability for accrued compensated absences at December 31, 2013 and 2012 was \$843,397 and \$859,148, respectively, of which \$417,088 and \$453,370 is the long-term portion.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) *Compensated Absences (continued)***

At the time of the policy change, there was no impact to the employees and/or any additional expense incurred by the Authority. The policy provides for the following paid time off:

- 0 to less than 5 years of continuous service - 128 hours/16 days
- 5 years to less than 10 years of continuous service – 168 hours/21 days
- 10 years to less than 20 years of continuous service – 208 hours/26 days
- 20 or more years of continuous service – 248 hours/31 days

Employees may carry over up to a maximum of 200 hours of accrued, unused PTO from one calendar year to the next. Any unused PTO that exceeds 200 hours is forfeited.

**(i) *Cash Flows***

For the purposes of the statements of cash flows, cash and cash equivalents include investments with an maturity of three months or less at time of purchase.

**(j) *Bond Issuance Costs and Refundings***

Costs related to issuing bonds are expensed when incurred. Gains and losses associated with refundings and advance refundings are being deferred and amortized based upon the methods used to approximate the interest method over the life of the new bonds or the remaining term on any refunded bond, whichever is shorter.

**(k) *Risk Management***

The Authority provides for losses (up to the per employee maximum amount) resulting from health insurance claims. The Authority is commercially insured for amounts greater than the annual maximum as well as for other significant risks (e.g., general liability, workers' compensation, building, etc.).

**(l) *Revenues and Unearned Revenue***

Revenues from user fees, food and beverage, the UPS store and rentals are recognized when earned (when the event/transaction occurs). Revenue collected for events in future years is reported as unearned revenue.

**(m) *Use of Estimates***

Management of the Authority has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**2. CASH AND INVESTMENTS**

The Authority's cash and investments consisted of the following as of December 31, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents		
Unrestricted	\$ 131,312,761	\$ 124,038,208
Designated for construction	408,941	12,069,938
Restricted primarily for debt service and construction	6,406,778	5,401,441
Total cash and cash equivalents	<u>\$ 138,128,480</u>	<u>\$ 141,509,587</u>
Investments		
Unrestricted	\$ 71,438,214	\$ 55,743,671
Restricted primarily for debt service	21,997,400	23,281,407
Total investments	<u>\$ 93,435,614</u>	<u>\$ 79,025,078</u>

Actual cash in banks as of December 31, 2013 and 2012, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was \$140,287,515 and \$142,211,651, respectively. Of the total bank balances at December 31, 2013 and 2012, all amounts were covered by federal depository insurance or by collateral held in the Authority's name by its agent. As of December 31, 2013 and 2012, the Authority had repurchase agreements totaling \$9,393,500, respectively. Because the pledged securities are held by the pledging fiscal agent in the Authority's name, the Authority does not have any custodial credit risk. The pledged securities may be released only upon the written authorization of the Authority.

State of Louisiana Revised Statutes authorize the Authority to invest in direct United States Treasury obligations; short-term repurchase agreements; time certificates of deposit at financial institutions, state banks and national banks; bonds, debentures, notes or other indebtedness issued or guaranteed by U.S. Government instrumentalities which are federally sponsored or federal agencies that are backed by the full faith and credit of the United States.

At December 31, 2013 and 2012 investment balances were as follows:

<u>Investment Type</u>	<u>2013</u>	<u>2012</u>
U.S. Agency	\$ 32,195,656	\$ 33,003,714
U.S. Treasury	30,139,800	14,318,662
Certificates of Deposit	-	5,764,190
Cash equivalents	21,706,658	16,545,012
Other	9,393,500	9,393,500
	<u>\$ 93,435,614</u>	<u>\$ 79,025,078</u>



**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**2. CASH AND INVESTMENTS (continued)**

**Credit Quality Risk** – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality risk disclosures apply to fixed income investments. Credit ratings of the Authority's investments in long-term debt securities as of December 31, 2013 are as follows:

<u>Investment Type</u>	<u>U.S. Agency</u>	<u>U.S. Treasury</u>	<u>Total</u>
Aaa	\$ 32,195,656	\$ 30,139,800	\$ 62,335,456

Credit ratings of the Authority's investments in long-term debt securities as of December 31, 2012 are as follows:

<u>Investment Type</u>	<u>U.S. Agency</u>	<u>U.S. Treasury</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Aaa	\$ 32,447,403	\$ 14,318,662	\$ -	\$ 46,766,065
A2	299,593	-	-	299,593
Baa2	256,718	-	-	256,718
Not rated	-	-	5,764,190	5,764,190
	<u>\$ 33,003,714</u>	<u>\$ 14,318,662</u>	<u>\$ 5,764,190</u>	<u>\$ 53,086,566</u>

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of the failure, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the Authority's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the Authority's name. The investments of the Authority owned at December 31, 2013 were not subject to custodial credit risk.

**Concentration of Credit Risk** – The Authority's investment policy only allows investments in U.S. Treasury Bill and Notes, U.S. Government Agency Securities, municipal bonds, Certificates of Deposits, and mutual and trust funds. As of December 31, 2013, the Authority was in compliance with this policy. Investment of mutual or trust funds are limited to 25% of monies considered available for investment.

**Interest Rate Risk** – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The Authority manages interest rate risk for investments under the control of the Authority by limiting the maximum maturity of investments to five years in accordance with their investment policy.

**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**2. CASH AND INVESTMENTS (continued)**

At December 31, 2013, the Authority's investment balances and maturities for those investments subject to interest rate risk were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Less than one year</u>	<u>1-5 years</u>
U.S. Agency	\$ 32,195,656	\$ 3,336,701	\$ 28,858,955
U.S. Treasury	30,139,800	-	30,139,800
	<u>\$ 62,335,456</u>	<u>\$ 3,336,701</u>	<u>\$ 58,998,755</u>

At December 31, 2012, the Authority's investment balances and maturities for those investments subject to interest rate risk were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Less than one year</u>	<u>1-5 years</u>
U.S. Agency	\$ 33,003,714	\$ 14,464,013	\$ 18,539,701
U.S. Treasury	14,318,662	10,985,730	3,332,932
Certificate of Deposit	5,764,190	3,504,570	2,259,620
	<u>\$ 53,086,566</u>	<u>\$ 28,954,313</u>	<u>\$ 24,132,253</u>

**Repurchase Agreements**

As of December 31, 2013 and 2012, the Authority has approximately \$9 million of repurchase agreements with fixed rates of interest through the terms of the agreements. These investments are held under the terms of the bond indenture agreements as reserve funds. The repurchase agreements were supported by collateral requirements varying from 104% to 105% of the account balance.

Collateral is held in the name of the trustees of the bond issue for the benefit of the Authority and consists of U.S. government and agency securities. Custodians are independent of the counterparties to the agreements. Under the terms of the repurchase agreements, the trustees may make deposits and withdrawals for these accounts in accordance with certain terms of the trust indenture agreements. The investments are subject to custodial risk upon default of the custodian. The Authority's repurchase agreements were as follows as of December 31, 2013 and 2012:

<u>Bond Issue</u>	<u>Interest Rate</u>	<u>Termination Date</u>	<u>Amount</u>
2004 Refunding	4.785%	July 2025	\$ <u>9,393,500</u>

Credit risk is managed through the requirements of the counterparty to maintain pledged securities in the name of the Authority held in the counterparty's trust department or by the Federal Reserve Bank of the United States. The Authority's investment in repurchase agreements is a contract and is not rated.

**ERNEST N. MORIAL**  
**NEW ORLEANS EXHIBITION HALL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following as of December 31:

	2013	2012
Customers	\$ 2,360,776	\$ 1,367,539
Other	5,462	10,852
	<u>2,366,238</u>	<u>1,378,391</u>
Less allowance for uncollectible amounts	(309,506)	(445,647)
	<u>\$ 2,056,732</u>	<u>\$ 932,744</u>

Receivables from customers represent amounts due in connection with the use of facilities.

**4. PROPERTY, BUILDINGS AND EQUIPMENT**

A summary of changes in fixed assets follows:

	January 1, 2013	Additions	Deletions	December 31, 2013
Land, non depreciable	\$ 76,575,515	-	-	\$ 76,575,515
Building/building improvements	456,643,044	50,229,259	-	506,872,303
Equipment	21,032,570	603,112	(184,498)	21,451,184
Surface parking	8,076,237	-	-	8,076,237
Software	1,985,464	187,215	-	2,172,679
Art/exhibits, non depreciable	210,000	-	-	210,000
Construction in progress	54,283,367	6,865,270	(50,251,286)	10,897,351
	<u>618,806,197</u>	<u>57,884,856</u>	<u>(50,435,784)</u>	<u>626,255,269</u>
Accumulated depreciation and amortization	223,509,372	17,046,000	(163,226)	240,392,146
	<u>\$ 395,296,825</u>			<u>\$ 385,863,123</u>

	January 1, 2012	Additions	Deletions	December 31, 2012
Land, non depreciable	\$ 76,575,515	-	-	\$ 76,575,515
Building/building improvements	462,570,048	4,158,657	(10,085,661)	456,643,044
Equipment	20,676,619	1,887,805	(1,531,854)	21,032,570
Surface parking	6,915,473	1,160,764	-	8,076,237
Software	1,808,299	177,165	-	1,985,464
Art/exhibits, non depreciable	210,000	-	-	210,000
Construction in progress	16,181,262	43,449,970	(5,347,865)	54,283,367
	<u>584,937,216</u>	<u>50,834,361</u>	<u>(16,965,380)</u>	<u>618,806,197</u>
Accumulated depreciation and amortization	216,019,397	14,745,013	(7,255,038)	223,509,372
	<u>\$ 368,917,819</u>			<u>\$ 395,296,825</u>

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**4. PROPERTY, BUILDINGS AND EQUIPMENT (continued)**

The construction in progress as of December 31, 2013 includes improvements to existing structure and building improvements related to the Phase IV expansion. The construction in progress as of December 31, 2012 includes improvements in the Great Hall in the amount of \$44,665,544, improvements to existing structure, and building improvements related to the Phase IV expansion. The Great Hall was completed in January 2013.

**5. LONG-TERM OBLIGATIONS**

The following summarizes the changes in the Authority's long-term obligations for the years ended December 31, 2013 and 2012:

	January 1, 2013	Additions	Deletions	December 31, 2013	Due Within One Year	Over One Year
Bonds payable	\$ 138,805,000	-	(8,540,000)	\$ 130,265,000	\$ 7,885,000	\$ 122,380,000
Go Zone payable	26,937,591	-	(1,409,162)	25,528,429	1,474,547	24,053,882
Adjustments: Premiums						8,392,474
						154,826,356
Compensated absences	859,148	-	(15,751)	843,397	426,309	417,088
	<u>\$ 166,601,739</u>	<u>-</u>	<u>(9,964,913)</u>	<u>\$ 156,636,826</u>	<u>\$ 9,785,856</u>	<u>\$ 155,243,444</u>

  

	January 1, 2012	Additions	Deletions	December 31, 2012	Due Within One Year	Over One Year
Bonds payable	\$ 160,035,000	52,070,000	(73,300,000)	\$ 138,805,000	\$ 8,540,000	\$ 130,265,000
Go Zone payable	28,284,268	-	(1,346,677)	26,937,591	1,409,162	25,528,429
Adjustments: Premiums						9,245,102
						165,038,531
Compensated absences	828,726	30,422	-	859,148	405,778	453,370
	<u>\$ 189,147,994</u>	<u>52,100,422</u>	<u>(74,646,677)</u>	<u>\$ 166,601,739</u>	<u>\$ 10,354,940</u>	<u>\$ 165,491,901</u>



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**5. LONG-TERM OBLIGATIONS (continued)**

**Bonds Payable**

Long-term debt activity for the years ended December 31, 2013 and 2012 is as follows:

	January 1, 2013	Additions	Maturities / Refinancing	December 31, 2013
Series				
2004	\$ 86,735,000	-	(4,490,000)	\$ 82,245,000
2012	52,070,000	-	(4,050,000)	48,020,000
	<u>\$ 138,805,000</u>	<u>-</u>	<u>(8,540,000)</u>	<u>\$ 130,265,000</u>

	January 1, 2012	Additions	Maturities / Refinancing	December 31, 2012
Series				
1996C	\$ 24,725,000	-	(24,725,000)	\$ -
1998	22,500,000	-	(22,500,000)	-
2000	21,735,000	-	(21,735,000)	-
2004	91,075,000	-	(4,340,000)	86,735,000
2012	-	52,070,000	-	52,070,000
	<u>\$ 160,035,000</u>	<u>52,070,000</u>	<u>(73,300,000)</u>	<u>\$ 138,805,000</u>

The Authority's bond issues outstanding as of December 31 were as follows:

	2013	2012
2004 Series, Refunding Bonds, interest rates between 4.375% and 5.0%, due in annual principal debt service requirements ranging from \$4,715,000 to \$9,165,000, final payment due July 2025	\$ 82,245,000	86,735,000
2012 Series, Refunding Bonds, interest rates between 3.0% and 5.0%, due in annual principal debt service requirements ranging from \$465,000 to \$10,270,000, final payment due July 2027	48,020,000	52,070,000
	<u>130,265,000</u>	<u>138,805,000</u>
Plus unamortized net premium	8,392,474	9,245,101
Less current maturities	<u>(7,885,000)</u>	<u>(8,540,000)</u>
Long-term debt less current maturities	<u>\$ 130,772,474</u>	<u>139,510,101</u>



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5. **LONG-TERM OBLIGATIONS (continued)**

**Bonds Payable (continued)**

The above amounts reconcile to the statements of net position as follows as of December 31:

	<b>2013</b>	<b>2012</b>
Total Bond amounts due plus deferrals	\$ 138,657,474	\$ 148,050,102
Less current maturities	(7,885,000)	(8,540,000)
Long term portion	130,772,474	139,510,102
Total GoZone amounts due	25,528,429	26,937,591
Less current maturities	(1,474,547)	(1,409,162)
Long term portion	24,053,882	25,528,429
Total long-term debt	<u>\$ 154,826,356</u>	<u>\$ 165,038,531</u>

The principal and interest on the Authority's bonds are payable from the proceeds of the levy and collection of dedicated taxes as described in Note 1. The Series 2004 and 2012 Bonds are solely the obligation of the Authority and not of the State of Louisiana or any other agency or political subdivision thereof.

In September 2007, the Authority defeased the 2003 Bonds. The outstanding balance on all defeased bonds as of December 31, 2013 and 2012 is \$-0- and \$266,250,000, respectively.

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**5. LONG-TERM OBLIGATIONS (continued)**

The annual requirements to amortize all bonds and note as of December 31, 2013, were as follows:

Principal	Bond Series		Go Zone	Total Bonds and Note Payable
	2004	2012		
2014	\$ 4,715,000	\$ 3,170,000	\$ 1,474,547	\$ 9,359,547
2015	4,950,000	3,260,000	1,542,966	9,752,966
2016	5,195,000	3,355,000	1,614,560	10,164,560
2017	5,455,000	3,450,000	1,689,475	10,594,475
2018	5,725,000	3,580,000	1,767,867	11,072,867
2019-2023	37,970,000	9,855,000	10,148,591	57,973,591
2024-2027	18,235,000	21,350,000	7,290,423	46,875,423
Total	82,245,000	48,020,000	25,528,429	155,793,429

  

Interest	Bond Series		Go Zone	Total Interest Payable
	2004	2012		
2014	4,099,750	2,029,850	1,184,519	7,314,119
2015	3,864,000	1,944,750	1,116,100	6,924,850
2016	3,616,500	1,856,950	1,044,506	6,517,956
2017	3,356,750	1,766,300	969,591	6,092,641
2018	3,084,000	1,648,300	891,199	5,623,499
2019-2023	10,003,750	6,543,500	3,146,739	19,693,989
2024-2027	1,345,000	3,531,750	686,776	5,563,526
Total	29,369,750	19,321,400	9,039,430	57,730,580

  

Total	Bond Series		Go Zone	Total Payable
	2004	2012		
2014	8,814,750	5,199,850	2,659,066	16,673,666
2015	8,814,000	5,204,750	2,659,066	16,677,816
2016	8,811,500	5,211,950	2,659,066	16,682,516
2017	8,811,750	5,216,300	2,659,066	16,687,116
2018	8,809,000	5,228,300	2,659,066	16,696,366
2019-2023	47,973,750	16,398,500	13,295,330	77,667,580
2024-2027	19,580,000	24,881,750	7,977,199	52,438,949
Total	\$ 111,614,750	\$ 67,341,400	\$ 34,567,859	\$ 213,524,009

The Authority is in compliance with its bond covenants as of December 31, 2013 and 2012.

**Defeasance and Go Zone Obligations**

In September 2007, the Authority and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend \$28,284,268, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2007 through 2008 due to disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita. Draw downs on the loan were made as debt service payments become due. No principal or interest was payable during the initial five year period of the note. After the expiration of the initial five year period, the note bears an interest at a fixed rate of 4.64%. Interest was payable semi annually beginning January 15, 2012. Principal payments on the note began in July 2012. The note is expected to be paid in full by July 2026. The loan may be prepaid without penalty or premium. The Go Zone proceeds were used to pay certain interest and principal payments related to Bond Series 2003 and Bond Series 1998 debt.

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**5. LONG-TERM OBLIGATIONS (continued)**

**Compensated Absences**

The Authority's obligation to its employees for accrued paid time off totaled \$843,397 and \$859,148 as of December 31, 2013 and 2012, respectively. The estimated long-term portion as of December 31, 2013 and 2012 is based on historical data and totaled \$417,088 and \$453,370, respectively. The short-term portion as of 2013 and 2012 was \$426,309 and \$405,778, respectively.

**6. UNEARNED REVENUE**

A summary of the unearned revenue, consisting primarily of rental payments, was as follows as of December 31:

	2013	2012
Customer prepayments	\$ 3,437,500	\$ 3,713,718
Less current portion	2,755,316	2,940,918
Long term portion	\$ 682,184	\$ 772,800

**7. TAXES**

The following summarizes tax receivables and revenue as of and for the years ended December 31:

	2013		2012	
	Receivables	Revenue	Receivables	Revenue
3% Hotel Occupancy Tax	\$ 6,191,572	\$ 30,886,213	\$ 3,759,077	\$ 26,216,190
State Economic Development	1,000,000	2,000,000	2,000,000	2,000,000
Hotel Occupancy Food				
Beverage Tax	2,677,117	16,723,540	2,458,279	15,149,366
Service Contractors				
and Tour Tax	540,371	2,213,491	255,990	1,755,526
RTA Tax	925,830	2,344,797	888,148	1,983,597
Collection Fee	-	(876,346)	-	(770,100)
	\$ 11,334,890	\$ 53,291,695	\$ 9,361,494	\$ 46,334,579

**8. FOOD AND BEVERAGE REVENUE**

Under the contractual agreements with vendors allowed to operate with the Convention Center, the Authority receives various food and beverage revenue. For the years ended December 31, 2013 and 2012, the Authority earned \$6,257,945 and \$4,184,400, respectively, in food and beverage revenue.

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**9. TRANSACTIONS WITH GOVERNMENT AGENCIES**

Act 597 of the Regular Session of the Legislature of Louisiana for the year 2012 authorized and directed the Authority to fund the Louisiana Medical Assistance Trust Fund in the amount of \$20 million from its unrestricted net position. The total amount was due to the State at December 31, 2012. The liability is included on the Statements of Net Position as Due to Government Agencies and the expense is included on the Statements of Changes in Net Position as Due to Government Agencies. The balance was paid to the State in March 2013. No other payments were made to the State of Louisiana in 2013.

The State of Louisiana appropriated \$10 million to the Authority for capital projects under Act 23 of the Regular Session of the Legislature of Louisiana for the years 2013 and 2012. At December 31, 2013 and 2012, \$4,805 and \$10 million was due from the State, respectively. The receivable is included on the Statements of Net Position as Due from Government Agencies, and the revenue is included on the Statements of Changes in Net Position as Capital Contributions.

In March 2013 the Authority entered into an agreement with the City of New Orleans to provide funding for various projects. In 2013, approximately \$2.8 was paid to the City. The total amount due to the City at December 31, 2013 was approximately \$1.1 million. The liability is included on the Statements of Net Position as Due to Government Agencies.

**10. COMMITMENTS AND CONTINGENCIES**

**(a) *Self-insurance***

For 2013 and 2012, the Authority is self-insured for medical claims up to \$80,000 per participant. In 2013 and 2012, the aggregate for claims liability was \$3,012,710 and \$2,295,633, respectively. The Authority has commercial insurance to cover any excess. The Authority has an external third party administrator for health insurance claims. Changes in claims liability during the years ended December 31 were as follows:

	<b>Beginning of year liability</b>	<b>Current year claims and changes in estimates</b>	<b>Claim payments</b>	<b>Balance at year end</b>
2012 \$	257,231	1,771,254	(1,809,116)	219,369
2013 \$	219,369	1,780,121	(1,780,121)	219,369

**(b) *Contingencies***

The Authority is obligated under various contracts and initiatives for projects ongoing to the improvements and maintenance of the convention center and its property. The Authority's ability to receive the necessary taxes and other cash sources is dependent on other third parties.

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**11. CHANGE IN ACCOUNTING PRINCIPLES**

The Authority has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources, required by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 65 also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expenses, or expenditures when incurred and not reported in statements of net position/balance sheets.

The Authority implemented this statement effective January 1, 2012. The impact as follows:

Previously reported net position as of January 1, 2012	\$436,112,149
Adjustment to as a result of the implementation of GASB Statement No. 65	<u>1,472,253</u>
Net position as of January 1, 2012, as restated	<u>\$434,639,896</u>
Previously reported change in net position for the year ended December 31, 2012	\$ (3,753,618)
Adjustment as a result of the implementation of GASB Statement No. 65	<u>161,793</u>
Change in net position for the year ended December 31, 2012, as restated	<u>\$ (3,591,825)</u>

The GASB issued Statement No. 66, *Technical Corrections - 2012* in March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for 2013. There was no impact to the Authority with the implementation of this statement.

**12. NEW PRONOUNCEMENTS**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, in June 2012. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014.

Management of the Authority is currently assessing the impact of GASB Statement No. 68 on the financial statements.

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13. SUBSEQUENT EVENT

The Authority has been made aware that the State of Louisiana in its proposed 2014 budget has requested the Authority give the State \$50 million of its unrestricted net position and cash to fund the Budget Stabilization Fund. This budget is under review by the State of Louisiana Legislature and is not yet finalized.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Ernest N. Morial New Orleans Exhibition Hall Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Nettville*

New Orleans, Louisiana  
March 25, 2014

